

CITY OF MANNING

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2008

TABLE OF CONTENTS

	<u>Page</u>
Officials	3
Independent Auditor's Report	4 - 6
Management's Discussion and Analysis	7 - 10
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statement:	
Statement of Activities and Net Assets - Cash Basis	A 12 - 13
Government Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B 14 - 15
Proprietary Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C 16
Notes to Financial Statements	18 - 32
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds	34 - 35
Notes to Required Supplementary Information - Budgetary Reporting	36
Other Supplementary Information:	<u>Schedule</u>
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Non-major Governmental Funds	1 38 - 39
Schedule of Indebtedness	2 40 - 41
Bond and Note Maturities	3 42 - 44
Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds	4 45
Schedule of Expenditures of Federal Awards	5 46
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	48 - 50
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	52 - 54
Schedule of Findings and Questioned Costs	55 - 60

**CITY OF SHELBY
OFFICIALS**

(Before January 2008)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ron Colling	Mayor	January 2008
Chuck Henderson	Mayor Pro-tem/Council Member	January 2010
Tiffany Carson	Council Member	Resigned August 2007
Jeff Hargens	Council Member	January 2010
Richard Johnson	Council Member	Appointed January 2010
Janet McLaughlin	Council Member	January 2008
Alan Morris	Council Member	January 2008
Jordan Fuller	City Administrator/Clerk	Indefinite
Barb Willenborg	Deputy Clerk	Resigned July 2007
Dawn Rohe	Deputy Clerk	Indefinite
Robert Gaffrey	City Attorney	Indefinite

(After January 2008)

Harvey Dales	Mayor	January 2010
Jeff Hargens	Mayor Pro-tem/Council Member	January 2010
Chuck Henderson	Council Member	January 2010
Jason Hoffman	Council Member	January 2012
Richard Johnson	Council Member	January 2010
Steve Wiscus	Council Member	January 2012
Jordan Fuller	City Administrator/Clerk	Resigned February 2008
Larry Lesle	City Administrator	Appointed February 2008
Dawn Rohe	City Clerk	Appointed February 2008
Robert Gaffrey	City Attorney	Indefinite

MUXFELDT

ASSOCIATES, CPA, P.C.

Certified Public Accountant

January 27, 2009

Independent Auditor's Report

Lonnie G. Muxfeldt

Certified Public
Accountant

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Iowa
Missouri

To the Honorable Mayor and
Members of the City Council:

I have audited the accompanying primary government financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Manning, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Manning's management. My responsibility is to express opinions on these financial statements based on my audit.

Except as discussed in the following paragraph, I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Specifically, I was unable to satisfy myself concerning beginning fund balances primarily related to the general fund and the loan revolving fund at July 1, 2007.

Continued...

January 27, 2009
To the Honorable Mayor and
Members of the City Council:
Page Two

The financial statements referred to above include only the primary government of the City of Manning, which consists of all funds, organizations, agencies, boards, commissions, and authorities that comprise the City's legal entity. The financial statements exclude the financial statements of the City's legally separate component units, which U.S. generally accepted accounting principles require to be reported with the financial statements of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the City of Manning as of and for the year ended June 30, 2008, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been able to satisfy myself concerning the beginning fund balances primarily related to the general fund and the revolving loan fund at July 1, 2007, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information for the primary government of the City of Manning, Iowa as of June 30, 2008, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, I have also issued my report dated January 27, 2009 on my consideration of the City of Manning's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 10 and 34 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

Continued...

January 27, 2009
To the Honorable Mayor and
Members of the City Council:
Page Three

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements for the primary government of the City of Manning. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis, and is not a required part of the basic financial statements. Such information, except that portion marked "unaudited" on Schedule 4, Schedule of Receipts by Source and Disbursements by Function - all Governmental Funds, on which I express no opinion, has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been able to satisfy myself concerning the beginning fund balances primarily related to the general fund and the loan revolving fund at July 1, 2007, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

 Murphy & Associates, CPA, P.C.

CITY OF MANNING
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

As management of the City of Manning, Iowa we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended June 30, 2008.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's statements include three components: 1) a cash basis government-wide financial statement, 2) cash basis fund financial statements, and 3) notes to the financial statements.

Government-wide financial statement: This statement consists of a Statement of Activities and Net Assets and provides information about the activities of the City as a whole and presents an overall view of the City's finances.

Fund financial statements: The financial statement for governmental funds is the statement of cash receipts, disbursements and changes in cash balances. It is organized by funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Local Option Tax, and Urban Renewal Tax Increment Financing, 3) Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.
- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer and sanitation funds.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Analysis of significant changes in financial position and fund balances: The cash balances of the City's governmental activities increased 10% from June 30, 2007, for a net change of \$64,550 during the year ended June 30, 2008.

The following are the changes in the cash balances of the City's governmental activities:

Changes in Cash Basis Net Assets of Governmental Activities	
	Year Ended June 30, 2008
Receipts:	
Program receipts:	
Charges for services	\$ 127,454
Operating grants, contributions and restricted interest	276,041
Capital grants, contributions and restricted interest	714,736
General receipts:	
Property tax	528,603
Local option sales tax	171,234
Unrestricted investment earnings	23,547
Miscellaneous	22,117
Debt proceeds	794,998
Total receipts	<u>2,658,730</u>
Disbursements:	
Public safety	292,849
Public works	204,635
Culture and recreation	400,138
Community and economic development	171,452
General government	235,959
Debt service	165,323
Capital projects	1,148,824
Total disbursements	<u>2,619,180</u>
Change in cash basis net assets before transfers	39,550
Transfers, net	<u>25,000</u>
Change in cash basis net assets	64,550
Cash basis net assets, beginning of year	<u>605,199</u>
Cash basis net assets, end of year	<u>\$ 669,749</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The cash balances of the City's business type activities decreased 13% from June 30, 2007, for a net decrease of \$28,948 during the year ended June 30, 2008.

The following are the changes in the cash basis of the net assets of the City's business type activities:

Changes in Cash Basis Net Assets of Business Type Activities	
	Year Ended June 30, 2008
Receipts:	
Program receipts:	
Charges for services and sales:	
Water	\$ 190,580
Sewer	202,837
Sanitation	108,818
Capital grants, contributions and restricted interest	77
General receipts:	
Unrestricted investment earnings	2,642
Miscellaneous	5,270
Total receipts	<u>510,224</u>
Disbursements:	
Water	181,648
Sewer	226,335
Sanitation	106,189
Total disbursements	<u>514,172</u>
Change in cash basis net assets before transfers	(3,948)
Transfers, net	<u>(25,000)</u>
Change in cash basis net assets	(28,948)
Cash basis net assets, beginning of year	<u>252,326</u>
Cash basis net assets, end of year	\$ <u><u>223,378</u></u>

Analysis between actual and budget amounts: The City amended its budget on January 14, 2008, May 20, 2008, and June 17, 2008 which was not contested. The various budget amendments increased budgeted receipts by \$348,221 and increased budgeted disbursements by \$810,621.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Debt Administration: At June 30, 2008, the City had \$1,867,778 in notes and other long-term debt compared to \$1,239,592 as of June 30, 2007, as shown below.

Outstanding Debt			
		Year Ended June 30, 2008	Year Ended June 30, 2007
General obligation notes	\$	845,000	\$ 945,000
Tax increment financing note		104,307	113,011
Component unit revenue note		-0-	42,358
Revenue notes		918,471	139,223
Total	\$	<u>1,867,778</u>	<u>\$ 1,239,592</u>

The City of Manning financed the purchase of a police car, a cat loader and the wastewater treatment plant improvements for the year ended June 30, 2008. Scheduled principal and interest payments for the year ended June 30, 2008 were \$222,062 and \$65,548, respectively.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and TIF debt of \$949,307 is significantly below its constitutional debt limit of \$2.3 million.

Future financial statement impact: Budgeted receipts for FY 2009 are \$7.8 million. Budgeted disbursements are \$7.7 million. The budgeted net increase to cash balances is \$78,000.

Requests for information: Requests for additional information can be made to the Manning City Clerk, Dawn Rohe at City Hall, 717 3rd Street, Manning, Iowa 51455.

BASIC FINANCIAL STATEMENTS

CITY OF MANNING
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

			Program Receipts	
	Disbursements	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions / Programs:				
Governmental activities:				
Public safety	\$ 292,849	\$ 3,620	\$ 44,368	\$ 57,000
Public works	204,635	1,744	128,296	-0-
Cultures and recreation	400,138	100,760	20,357	230,602
Community and economic development	171,452	-0-	65,429	64,304
General government	235,959	21,330	17,591	-0-
Debt service	165,323	-0-	-0-	-0-
Capital projects	1,148,824	-0-	-0-	362,830
Total governmental activities	2,619,180	127,454	276,041	714,736
Business type activities:				
Water	181,648	190,580	77	-0-
Sewer	226,335	202,837	-0-	-0-
Sanitation	106,189	108,818	-0-	-0-
Total business type activities	514,172	502,235	77	-0-
Total	\$ 3,133,352	\$ 629,689	\$ 276,118	\$ 714,736
General receipts:				
Property taxes levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Unrestricted investment earnings				
Miscellaneous				
Debt proceeds				
Transfers net				
Total general receipts				
Change in cash basis net assets				
Cash basis net assets, beginning of year				
Cash basis net assets, end of year				
Cash Basis Net Assets				
Restricted:				
Streets				
TIF urban renewal				
Debt service				
Meter deposits				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

EXHIBIT A

Net (Disbursements), Receipts and Changes in Cash Basis Net Assets					
Governmental Activities		Business Type Activities		Total	
\$	(187,861)	\$	-0-	\$	(187,861)
	(74,595)		-0-		(74,595)
	(48,419)		-0-		(48,419)
	(41,719)		-0-		(41,719)
	(197,038)		-0-		(197,038)
	(165,323)		-0-		(165,323)
	(785,994)		-0-		(785,994)
	<u>(1,500,949)</u>		<u>-0-</u>		<u>(1,500,949)</u>
	-0-		9,009		9,009
	-0-		(23,498)		(23,498)
	-0-		2,629		2,629
	<u>-0-</u>		<u>(11,860)</u>		<u>(11,860)</u>
	(1,500,949)		(11,860)		(1,512,809)
	363,021		-0-		363,021
	54,381		-0-		54,381
	111,201		-0-		111,201
	171,234		-0-		171,234
	23,547		2,642		26,189
	22,117		5,270		27,387
	794,998		-0-		794,998
	25,000		(25,000)		-0-
	<u>1,565,499</u>		<u>(17,088)</u>		<u>1,548,411</u>
	64,550		(28,948)		35,602
	<u>605,199</u>		<u>252,326</u>		<u>857,525</u>
\$	<u>669,749</u>	\$	<u>223,378</u>	\$	<u>893,127</u>
\$	41,479	\$	-0-	\$	41,479
	78,417		-0-		78,417
	37,581		-0-		37,581
	-0-		8,196		8,196
	<u>512,272</u>		<u>215,182</u>		<u>727,454</u>
\$	<u>669,749</u>	\$	<u>223,378</u>	\$	<u>893,127</u>

CITY OF MANNING
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

	Special Revenue			
	General	Road Use Tax	Local Option	Urban Renewal
Receipts:				
Property tax	\$ 212,328	\$ -0-	\$ -0-	\$ -0-
Tax increment financing	-0-	-0-	-0-	111,201
Other city taxes	-0-	-0-	171,234	-0-
Licenses and permits	4,415	-0-	-0-	-0-
Use of money and property	46,251	-0-	-0-	1,973
Intergovernmental	164,442	127,652	-0-	-0-
Charges for service	111,837	1,418	-0-	-0-
Special assessments	-0-	326	-0-	-0-
Miscellaneous	68,896	2,086	-0-	-0-
Total receipts	<u>608,169</u>	<u>131,482</u>	<u>171,234</u>	<u>113,174</u>
Disbursements:				
Public safety	277,849	-0-	-0-	-0-
Public works	-0-	204,635	-0-	-0-
Culture and recreation	292,382	-0-	-0-	-0-
Community and economic development	-0-	-0-	-0-	43,256
General government	109,078	-0-	-0-	-0-
Debt service	-0-	-0-	-0-	-0-
Capital projects	-0-	-0-	-0-	-0-
Total disbursements	<u>679,309</u>	<u>204,635</u>	<u>-0-</u>	<u>43,256</u>
Excess (deficiency) of receipts over (under) disbursements	(71,140)	(73,153)	171,234	69,918
Other financing sources (uses):				
Debt proceeds	25,000	-0-	-0-	-0-
Operating transfer in	83,696	73,500	-0-	-0-
Operating transfer out	(21,000)	-0-	(156,000)	(66,221)
Total other financing sources (uses)	<u>87,696</u>	<u>73,500</u>	<u>(156,000)</u>	<u>(66,221)</u>
Net change in cash balances	16,556	347	15,234	3,697
Cash balances, beginning of year	<u>214,110</u>	<u>41,132</u>	<u>16,130</u>	<u>74,720</u>
Cash balances, end of year	\$ <u>230,666</u>	\$ <u>41,479</u>	\$ <u>31,364</u>	\$ <u>78,417</u>
Cash Basis Fund Balance				
Reserved for debt service	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Unreserved:				
General fund	230,666	-0-	-0-	-0-
Special revenue funds	-0-	41,479	31,364	78,417
Capital projects fund	-0-	-0-	-0-	-0-
Permanent fund	-0-	-0-	-0-	-0-
Total cash basis fund balances	\$ <u>230,666</u>	\$ <u>41,479</u>	\$ <u>31,364</u>	\$ <u>78,417</u>

See notes to financial statements.

EXHIBIT B

Capital Project Wastewater	Non-major	Total
\$ -0-	\$ 205,074	\$ 417,402
-0-	-0-	111,201
-0-	-0-	171,234
-0-	-0-	4,415
-0-	35,762	83,986
362,830	64,304	719,228
-0-	604	113,859
-0-	-0-	326
-0-	171,099	242,081
<u>362,830</u>	<u>476,843</u>	<u>1,863,732</u>
-0-	15,000	292,849
-0-	-0-	204,635
-0-	107,756	400,138
-0-	128,196	171,452
-0-	126,881	235,959
-0-	165,323	165,323
1,148,824	-0-	1,148,824
<u>1,148,824</u>	<u>543,156</u>	<u>2,619,180</u>
(785,994)	(66,313)	(755,448)
769,998	-0-	794,998
-0-	142,221	299,417
-0-	(31,196)	(274,417)
<u>769,998</u>	<u>111,025</u>	<u>819,998</u>
(15,996)	44,712	64,550
3,451	255,656	605,199
<u>(12,545)</u>	<u>300,368</u>	<u>669,749</u>
\$ -0-	\$ 37,581	\$ 37,581
-0-	-0-	230,666
-0-	198,796	350,056
(12,545)	-0-	(12,545)
-0-	63,991	63,991
<u>(12,545)</u>	<u>300,368</u>	<u>669,749</u>

CITY OF MANNING

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS**

AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

	Enterprise			
	Water	Sewer	Sanitation	Total
Operating receipts:				
Charges for services	\$ 187,572	\$ 202,837	\$ 108,818	\$ 499,227
Operating disbursements:				
Business type activities	<u>135,712</u>	<u>166,851</u>	<u>106,189</u>	<u>408,752</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	51,860	35,986	2,629	90,475
Non-operating receipts (disbursements)				
Customer deposits	3,008	-0-	-0-	3,008
Deposit refunds	(1,600)	-0-	-0-	(1,600)
Debt service	(44,336)	(59,484)	-0-	(103,820)
Miscellaneous	4,140	1,130	-0-	5,270
Interest on investments	<u>77</u>	<u>2,642</u>	<u>-0-</u>	<u>2,719</u>
Net non-operating	<u>(38,711)</u>	<u>(55,712)</u>	<u>-0-</u>	<u>(94,423)</u>
Excess (deficiency) of receipts over (under) disbursements	13,149	(19,726)	2,629	(3,948)
Other financing (uses):				
Transfer out	<u>(12,500)</u>	<u>(12,500)</u>	<u>-0-</u>	<u>(25,000)</u>
Net change in cash balances	649	(32,226)	2,629	(28,948)
Cash balances, beginning of year	<u>92,539</u>	<u>147,983</u>	<u>11,804</u>	<u>252,326</u>
Cash balances, end of year	\$ <u>93,188</u>	\$ <u>115,757</u>	\$ <u>14,433</u>	\$ <u>223,378</u>
Cash Basis Fund Balances				
Customer deposits	\$ 8,196	\$ -0-	\$ -0-	\$ 8,196
Unreserved	<u>84,992</u>	<u>115,757</u>	<u>14,433</u>	<u>215,182</u>
Total cash basis fund balances	\$ <u>93,188</u>	\$ <u>115,757</u>	\$ <u>14,433</u>	\$ <u>223,378</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF MANNING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

(1) Summary of Significant Accounting Policies

The City of Manning is a political subdivision of the State of Iowa located in Carroll County. It was first incorporated in 1882 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides water, sewer and sanitation services to its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Manning has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the financial transactions and balances of the City of Manning only and exclude the City's component units of the Manning Municipal Communication and Television System Utility, the Manning Municipal Light Plant and the Manning Municipal Gas Department. The City's three component units are legally separate from the City but may provide specific benefits to, or impose specific burdens on the City. These component units also present their financial statements per calendar year and in accordance with generally accept accounting principals.

Jointly Governed Organization

The City also participates in jointly governed organizations that provide goods or services to the citizenry of the City but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Carroll County Conference Board, Carroll County Emergency EMA Board, Carroll County E911 commission and Carroll County Solid Waste Commission.

CITY OF MANNING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

(1) Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

CITY OF MANNING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

(1) Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for street construction and maintenance.

The Local Option Sales Tax Fund is used to account for special purposes as determined by City Council.

The Urban Renewal Tax Increment Financing Fund is used to account for urban renewal projects financed by tax increment financing.

The Capital Projects Fund is used to account for the wastewater improvement project.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

CITY OF MANNING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

(1) Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The City of Manning maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the public works, culture and recreation, and capital projects functions.

(2) Cash and Investments

The City's deposits in banks at June 30, 2008, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the City's deposits consisted of cash in bank and certificates of deposit as follows:

Cash in bank	\$	494,664
Certificates of deposit		398,463
Total	\$	<u>893,127</u>

CITY OF MANNING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

(3) Bonds and Notes Payable

Annual debt service requirements to maturity of general obligation bonds and notes, revenue bonds and an urban renewal note are as follows:

Year Ending June 30,	General Obligation Bonds and Notes		Revenue Bonds	
	Principal	Interest	Principal	Interest
2009	\$ 133,614	\$ 35,390	\$ 61,938	\$ 32,225
2010	142,945	30,972	65,306	28,754
2011	148,441	24,733	67,089	26,332
2012	145,000	18,005	60,917	23,814
2013	90,000	11,420	47,000	21,780
2014	90,000	7,820	48,000	20,370
2015	95,000	4,085	49,000	18,930
2016	-0-	-0-	51,000	17,460
2017	-0-	-0-	52,000	15,930
2018	-0-	-0-	53,000	14,370
2019	-0-	-0-	56,000	12,780
2020	-0-	-0-	57,000	11,100
2021	-0-	-0-	59,000	9,390
2022	-0-	-0-	61,000	7,620
2023	-0-	-0-	62,000	5,790
2024	-0-	-0-	65,000	3,930
2025	-0-	-0-	66,000	1,980
Total	\$ <u>845,000</u>	\$ <u>132,425</u>	\$ <u>981,250</u>	\$ <u>272,555</u>

CITY OF MANNING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

(3) Bonds and Notes Payable (Continued)

Year Ending June 30,	Urban Renewal Manning Betterment Note		Total	
	Principal	Interest	Principal	Interest
2009	\$ 9,199	\$ 5,841	\$ 204,751	\$ 73,456
2010	9,721	5,326	217,972	65,052
2011	10,273	4,782	225,803	55,847
2012	10,856	4,206	216,773	46,025
2013	11,473	3,598	148,473	36,798
2014	12,124	2,956	150,124	31,146
2015	12,813	2,277	156,813	25,292
2016	13,540	1,559	64,540	19,019
2017	14,308	801	66,308	16,731
2018	-0-	-0-	53,000	14,370
2019	-0-	-0-	56,000	12,780
2020	-0-	-0-	57,000	11,100
2021	-0-	-0-	59,000	9,390
2022	-0-	-0-	61,000	7,620
2023	-0-	-0-	62,000	5,790
2024	-0-	-0-	65,000	3,930
2025	-0-	-0-	66,000	1,980
Total	\$ <u>104,307</u>	\$ <u>31,346</u>	\$ <u>1,930,557</u>	\$ <u>436,326</u>

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service Fund. However, for the year ended June 30, 2008, \$7,062 of the interest on the corporate purpose notes was paid directly from the urban renewal tax increment financing fund.

Police Car Loan

In April 2008, the City financed the purchase of a police car through a local bank. The \$25,000 loan requires three annual payments of \$8,969 with final payment on July 1, 2010. The loan was financed at 6.25% and will accrue a total interest cost of \$1,907.

CITY OF MANNING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

(3) Bonds and Notes Payable (Continued)

Revenue Bonds

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$800,000 in sewer revenue bonds issued in November 2004 and \$200,000 in sewer revenue bonds issued in August 2007. Proceeds from the Clean Water Revolving Loan Fund (the bonds) provided financing for improvements to the wastewater treatment plant. The bonds are payable solely from sewer customer net receipts and are payable through 2025. The total principal and interest remaining to be paid on the bonds is \$1,159,208. Subsequent to June 30, 2008, bond proceeds of \$62,779 were received by the City on the \$200,000 sewer revenue bonds. The final bond proceeds are reflected in the bond maturities but are excluded from the schedule of indebtedness.

Resolutions providing for the issuance of the sewer revenue bonds require only that the bonds be redeemed from the future earnings of the enterprise activity and the bondholders hold a lien on the future earnings of the funds.

CAT Loader Loan

In November 2007, the City financed the purchase of a loader through a local bank. The \$53,250 loan requires eight semi-annual payment of \$7,785, accrues interest at 5.8%, and matures in June 2012.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement system (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2008 was \$28,274, equal to the required contribution for the year.

CITY OF MANNING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused paid time off for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. Paid time off (PTO) is an all purpose time off policy for eligible employees to use for vacation, illness or injury, and personal business. It combines traditional vacation and sick leave plans into one flexible, paid time off policy. Regular full-time employees are eligible to accrue and use PTO hours or equivalent days based on years of service. On May 8, 2006, the Council authorized 30 days of comp time to be paid out to two employees upon retirement or termination. The City's approximate liability for PTO (Paid Time Off) payable to employees at June 30, 2008 was \$32,360. This liability has been computed based on rates of pay in effect at June 30, 2008.

(6) Related Party Transactions

Business transactions between the City and City officials totaled \$83,748 during the year ended June 30, 2008.

(7) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in the past year.

(8) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional level. During the year ended June 30, 2008, disbursements in the public works, general government and capital projects functions exceeded amounts budgeted.

CITY OF MANNING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

(9) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
General fund	Special revenue capital reserve	\$ 17,283
General fund	Special revenue local option	37,500
General fund	Special revenue emergency	6,913
General fund	Enterprise sewer	7,500
General fund	Enterprise water	7,500
General fund	Special revenue - Economic development	7,000
Debt service fund	Special revenue local option	45,000
Debt service fund	Special revenue urban renewal	66,221
Special revenue fire truck trust	General	21,000
Special revenue road use fund	Special revenue local option	73,500
Special revenue - Economic development	Enterprise sewer	5,000
Special revenue - Economic development	Enterprise water	5,000
Total		\$ <u>299,417</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

CITY OF MANNING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

(10) Deficit Balances

The wastewater capital projects fund had a deficit balance of \$12,545 for the year ended June 30, 2008. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated by a transfer upon completion of the project.

(11) Management Agreement

On June 6, 1989, the City of Manning and Whites Iowa Manual Labor Institute, a.k.a. Quakerdale (an Iowa Nonprofit Corporation), entered into an agreement whereby Quakerdale would operate and manage a City-owned facility for children in need of assistance. Per the terms of the agreement, all expenses incurred in connection with the operation and management of the facility were the obligation of Quakerdale. Commencing with the date the facilities were ready for use and occupancy, Quakerdale paid rent monthly to the City until June 12, 2000.

On that date, the City executed a Quit Claim Deed to Quakerdale for \$1. The transfer of the property holds certain conditions and gives the City of Manning the right of first refusal if the property should be subsequently sold. In the event that Quakerdale should determine to sell the property, the City of Manning would retain the right of first refusal to repurchase the property in perpetuity at the price fixed by Quakerdale for the sale of the property. In the event Quakerdale should determine to sell the property within ten years of the transfer to Quakerdale, and in the event that the City failed to exercise its right of first refusal, the City would receive a percentage of the selling price of 100% in the first year following the transfer of the property and reduced by the sum of 10% each year thereafter. After ten years there would be no sharing of the purchase price. Quakerdale would maintain the right to establish the purchase price.

(12) Loan Guarantee

In 2001, the Northwest Iowa Power Cooperative (NIPCO) took out a loan with the USDA Rural Economic Development Loan Program on behalf of the Manning Betterment Foundation. The loan was to assist with the financing of a commercial building which houses a day care facility and a high-tech training center. NIPCO holds the first mortgage against the real estate upon which the building was constructed.

This loan matures August 1, 2011 and there is a 0% interest rate. This loan is guaranteed 50% by the City of Manning and 50% by NIPCO. As of June 30, 2008, the loan balance was \$154,166.

CITY OF MANNING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

(13) Urban Renewal

Chapter 403 of the Code of Iowa authorized cities to establish areas within their boundaries known as *urban renewal areas*, and to exercise special powers within these areas. Urban renewal powers were initially granted to cities in order to counter conditions of deterioration within cities. Gradually, urban renewal was found to be a useful tool for economic development in previously undeveloped areas.

In order to facilitate the use of urban renewal for economic development, in 1985 the Iowa General Assembly amended Chapter 403 to authorize City Councils to create *economic development areas*. An economic development urban renewal area may be any area of a city which has been designated by City Council as an area which is appropriate for industrial enterprises and in which the city seeks to encourage further development.

The process by which an economic development urban renewal area may be created begins with a finding by the City Council that such an area needs to be established within the City. An urban renewal plan is then prepared for the area, which must be consistent with the City's existing comprehensive or general plan. After the City Council holds a public hearing on the urban renewal plan, the council may approve the plan.

Manning Industrial Urban Renewal Area

In November 1994, the City of Manning established the Manning Industrial Urban Renewal Area located in the western area of the city and zoned as heavy industrial use. The objectives of the plan are: to contribute to a diversified, well-balanced local economy by creating job opportunities and strengthening the property tax base; to assist in providing land for new and expanded industrial development; and to encourage industrial growth and expansion through the use of federal, state and local incentives. Specific activities of the plan in the urban renewal area include the following: preparation of plans related to the development and implementation of the urban renewal area and specific urban renewal projects; construction of infrastructure such as streets or public utilities; construction of buildings or site improvements such as grading and site preparation; acquisition, preparation and disposition of property for redevelopment; providing for relocation of persons and businesses displaced by a project; making available all possible forms of financing for development projects, including conventional municipal borrowing and tax increment financing resulting from increased property values in the urban renewal area; and providing direct financial assistance, including grants or loans, to private persons engaged in economic development.

CITY OF MANNING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

(13) Urban Renewal (Continued)

Manning Urban Renewal Area

In May 2003, the City of Manning amended its original urban renewal plan. The amendment expanded the size of the original district, emphasized and encouraged commercial development through urban renewal projects, changed the name of the original area to Manning Urban Renewal Area, and zoned a portion of the original urban renewal area as heavy industrial use and the remainder as commercial use.

(14) Tax Increment Financing

The concept of tax increment financing (TIF) enables a City to use property tax dollars generated from private development to finance projects within an urban renewal area. A City ordinance designates all or a portion of the urban renewal area as a TIF district and establishes the property tax valuations within that district as the base valuation as of a given valuation date. Thereafter, if the City borrows money to pay the cost of projects within the district, property taxes (except taxes for debt service purposes) levied by all local jurisdictions (city, county, school, area college) against any increases in valuation over the base valuations are allocated exclusively to the City's tax increment fund, rather than back to each jurisdiction. Property taxes levied by all local jurisdictions against the base valuations continue to be distributed to those jurisdictions, and, after the City's TIF debt is paid off or the City is fully reimbursed for project costs, property taxes generated from the new valuations, as well as from the frozen base, will be distributed to all local jurisdictions.

The mechanism by which the City collects TIF revenue is the certification of TIF indebtedness to the county auditor. Three obligations have been certified to the county auditor as follows:

Enterprise Street

In December 2003, the City issued \$500,000 of general obligation corporate purpose notes for road improvements to Enterprise Street. As of June 30, 2008, \$330,500 remains outstanding on these notes. Tax increment financing collections within this TIF district will continue to provide the funds for principal and interest payments through maturity on June 1, 2015.

ECI/Caleris Building

On June 11, 2001, the City and the Manning Betterment Corporation signed a development agreement in which the City will rebate incremental taxes (TIF) to the Corporation. The terms of the agreement require the City to make thirty semi-annual payments of \$7,456 over a fifteen year period. Total payments will not exceed a principal amount of \$150,000 plus interest at the rate of 5.6% per annum. As of June 30, 2008, the City remains obligated to rebate incremental taxes of \$135,654 to the Manning Betterment Corporation through June 2017.

CITY OF MANNING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

(14) Tax Increment Financing (Continued)

Hausbarn Restaurant and Konferenz Centre

On July 23, 2003, the City and the Manning Heritage Foundation signed a written assessment agreement whereby the county assessor certified that the actual value assigned to that land and improvements shall not be less than \$800,000 for the specified term of ten fiscal years, which actual value shall produce a tax increment of no less than \$24,000 per year and shall be in place by January 1, 2004 and remain in effect until December 31, 2014. In the event that the tax increment produced under this assessor's minimum actual value of the property is less than \$24,000 in any year during which this agreement is in effect, the parties agree to increase the assessor's minimum actual value the following year so as to produce a tax increment of \$24,000.

On July 23, 2003, the City and the Manning Heritage Foundation also signed an economic development agreement. The City agreed to make tax increment rebate payments to the Foundation for ten years. Total rebate payments made under this agreement are capped at \$120,000. Incremental tax rebates began on December 1, 2005 and will continue through June 1, 2015. As of June 30, 2008, the City remains obligated to rebate \$44,302 to the Manning Heritage Foundation.

(15) Revolving Loan Fund Program

The Revolving Loan Fund Program was approved by City Council in January 1992. The program was initially funded by a \$200,000 Community Development Block Grant which the City loaned to the Manning Development Corporation over a ten year period at an interest rate of 3%. The interest and principal payments provided capital for other economic development projects in the City. In June 1998, the City was awarded a \$50,000 Rural Business Enterprise Grant by the US Department of Agriculture. The City loaned the funds to the Manning Betterment Foundation which constructed a child care center. An additional \$25,000 was loaned to the Foundation from the Revolving Loan Fund.

The Program has expanded since inception to include loans made for the acquisition, construction, reconstruction, or installation of commercial or industrial buildings, structures, or other real property, acquisition of equipment and machinery, reuse of vacant or abandoned facilities, and modernization of plant equipment and machinery. Loans are not made to supply working capital.

The Program is administered by the City's Economic Development Agency (EDA) which consists of two City Councilors, two board members of the Manning Municipal Utilities, and two board members of the Manning Natural Gas Department. All are appointed and serve for one year terms. The Mayor serves as the chairman of the EDA and the City Clerk serves as the Program Administrator. All loans are approved by City Council.

CITY OF MANNING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

(15) Revolving Loan Fund Program (Continued)

The loan repayment terms, interest rate, and any other conditions will be determined on a case-by-case basis. In general, the following serve as guidelines: 1) The term of the loan shall not exceed fifteen years. 2) The date of the first payment of principal and interest is at the discretion of the loan committee but not to exceed five years beyond the initial date of the loan approval. 3) The interest rate on the loan shall be at the discretion of the loan committee but never below 1%. 4) Loans may be renegotiated; however, renegotiation is not an inherent right of the borrower. 5) Principal and interest will be repaid in equal installments for the term of the loan unless otherwise determined by the loan committee. 6) If the project fails to comply with the terms of the contract, or fails to use the loan for only those purposes set forth, then the City may terminate the contract in whole, or in part, or accelerate payment of all principal and accrued interest and penalties, and may immediately declare same due and payable at any time before the date of completion.

At June 30, 2008, the RLF Program has loaned \$405,000 to eight local businesses at rates of interest ranging from 1% to 4.75%. Five loans are secured with real estate mortgages and three are unsecured. Future interest and principal payments are as follows:

Year Ended June 30,	Principal	Interest	Total
2009	\$ 43,085	\$ 9,500	\$ 52,585
2010	41,698	8,471	50,169
2011	30,145	7,040	37,185
2012	30,194	5,919	36,113
2013	31,355	4,758	36,113
2014	32,566	3,547	36,113
2015	33,829	2,284	36,113
2016	31,156	995	32,151
2017	11,962	151	12,113
2018	5,224	32	5,256
2019	413	1	414
Total	\$ <u>291,627</u>	\$ <u>42,698</u>	\$ <u>334,325</u>

CITY OF MANNING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

(16) Subsequent Events

Interdepartmental Loan Agreement

On September 16, 2008, the City entered into a loan agreement with the Manning Municipal Light Plant for \$175,000. The terms of the loan will be six years commencing October 1, 2008 and will require the City to make annual payments of \$25,000 plus accrued interest at 1% above the twelve month certificate of deposit rate at a local bank as of the commencement date. The rate is adjusted to 1% above the twelve month CD rate at a local bank each October 1 thereafter. The City reserves the right to prepay any amount at any time without penalty. The purpose of the loan is to finance \$222,230 in street repairs.

Interdepartmental Loan Agreement

On September 16, 2008, the City entered into a loan agreement with the Manning Municipal Gas Department for \$200,000. The terms of the loan will be ten years commencing October 1, 2008 and will require the City to make annual payments of \$20,000 plus accrued interest at 1% above the twelve month certificate of deposit rate at a local bank as of the commencement date. The rate is adjusted to 1% above the twelve month CD rate at a local bank each October 1 thereafter. The City reserves the right to prepay any amount at any time without penalty. The purpose of the loan is to finance the removal of lead paint and repainting of the City's south water tower. The cost of the project is \$189,270.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MANNING
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY
FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2008

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 417,402	\$ -0-
Tax increment financing	111,201	-0-
Other city tax	171,234	-0-
Licenses and permits	4,415	-0-
Use of money and permits	83,986	2,719
Intergovernmental	719,228	-0-
Charges for services	113,859	502,235
Special assessments	326	-0-
Miscellaneous	242,081	5,270
Total receipts	<u>1,863,732</u>	<u>510,224</u>
Disbursements:		
Public safety	292,849	-0-
Public works	204,635	-0-
Culture and recreation	400,138	-0-
Community and economic development	171,452	-0-
General government	235,959	-0-
Debt service	165,323	-0-
Capital projects	1,148,824	-0-
Business type activities	-0-	514,172
Total disbursements	<u>2,619,180</u>	<u>514,172</u>
Excess (deficiency) of receipts over (under) disbursements	(755,448)	(3,948)
Other financing sources, net	<u>819,998</u>	<u>(25,000)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	64,550	(28,948)
Balances beginning of year	<u>605,199</u>	<u>252,326</u>
Balances end of year	\$ <u>669,749</u>	\$ <u>223,378</u>

See Accompanying Independent Auditor's Report

Total		Budgeted Amounts		Final to Total Variance	
		Original	Final		
\$	417,402	\$ 416,629	\$ 416,629	\$	773
	111,201	108,352	108,352		2,849
	171,234	160,000	160,000		11,234
	4,415	3,825	3,825		590
	86,705	32,506	32,506		54,199
	719,228	670,612	727,312		(8,084)
	616,094	119,510	119,510		496,584
	326	4,500	4,500		(4,174)
	247,351	546,801	546,801		(299,450)
	<u>2,373,956</u>	<u>2,062,735</u>	<u>2,119,435</u>		<u>254,521</u>
	292,849	218,109	300,109		7,260
	204,635	200,234	200,234		(4,401)
	400,138	247,891	247,891		(152,247)
	171,452	278,302	212,481		41,029
	235,959	232,753	245,303		9,344
	165,323	99,102	165,323		-0-
	1,148,824	-0-	-0-		(1,148,824)
	514,172	609,924	1,341,854		827,682
	<u>3,133,352</u>	<u>1,886,315</u>	<u>2,713,195</u>		<u>(420,157)</u>
	(759,396)	176,420	(593,760)		(165,636)
	<u>794,998</u>	<u>622,680</u>	<u>884,924</u>		<u>(89,926)</u>
	35,602	799,100	291,164		(255,562)
	<u>857,525</u>	<u>857,525</u>	<u>857,525</u>		<u>-0-</u>
\$	<u><u>893,127</u></u>	\$ <u><u>1,656,625</u></u>	\$ <u><u>1,148,689</u></u>	\$	<u><u>(255,562)</u></u>

CITY OF MANNING

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

JUNE 30, 2008

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except for Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, three budget amendments increased budgeted receipts by \$348,221 and budgeted disbursements by \$810,621. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the public works, culture and recreation, and capital projects functions.

OTHER SUPPLEMENTARY INFORMATION

CITY OF MANNING
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES -

NON-MAJOR GOVERNMENTAL FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

	Employee Benefits	Insurance	Emergency	Housing	Revolving Loan Fund
Receipts:					
Property taxes	\$ 91,379	\$ 35,065	\$ 6,928	\$ -0-	\$ -0-
Use of money and property	-0-	-0-	-0-	-0-	33,381
Intergovernmental	-0-	-0-	-0-	64,304	-0-
Charges for services	-0-	-0-	-0-	-0-	-0-
Miscellaneous	1,703	6,841	-0-	-0-	-0-
Total receipts	93,082	41,906	6,928	64,304	33,381
Disbursements:					
Operations:					
Public safety	-0-	-0-	-0-	-0-	-0-
Culture and reaction	-0-	-0-	-0-	-0-	-0-
Community and economic dev	-0-	-0-	-0-	84,083	35,015
General government	88,923	37,958	-0-	-0-	-0-
Debt service	-0-	-0-	-0-	-0-	-0-
Total disbursements	88,923	37,958	-0-	84,083	35,015
Excess (deficiency) of receipts over (under) disbursements	4,159	3,948	6,928	(19,779)	(1,634)
Other financing sources					
Operating transfer in	-0-	-0-	-0-	-0-	-0-
Operating transfer out	-0-	-0-	(6,913)	-0-	-0-
Net change in cash balances	4,159	3,948	15	(19,779)	(1,634)
Cash balances beginning of year	20,667	23,917	68	25,835	30,837
Cash balances end year	\$ 24,826	\$ 27,865	\$ 83	\$ 6,056	\$ 29,203
Cash Basis Fund Balances					
Reserved for debt service	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Unreserved:					
Special revenue	24,826	27,865	83	6,056	29,203
Permanent fund	-0-	-0-	-0-	-0-	-0-
Total cash basis fund balances	\$ 24,826	\$ 27,865	\$ 83	\$ 6,056	\$ 29,203

See Accompanying Independent Auditor's Report.

SCHEDULE 1

					Permanent	
Economic Development	Fire Truck Trust	Library Trust	Capital Reserve	Debt Service	Perpetual Care	Total
\$ -0-	\$ -0-	\$ -0-	\$ 17,321	\$ 54,381	\$ -0-	\$ 205,074
75	-0-	1,512	-0-	794	-0-	35,762
-0-	-0-	-0-	-0-	-0-	-0-	64,304
-0-	-0-	-0-	-0-	-0-	604	604
30,000	-0-	132,555	-0-	-0-	-0-	171,099
30,075	-0-	134,067	17,321	55,175	604	476,843
-0-	15,000	-0-	-0-	-0-	-0-	15,000
-0-	-0-	107,756	-0-	-0-	-0-	107,756
9,098	-0-	-0-	-0-	-0-	-0-	128,196
-0-	-0-	-0-	-0-	-0-	-0-	126,881
-0-	-0-	-0-	-0-	165,323	-0-	165,323
9,098	15,000	107,756	-0-	165,323	-0-	543,156
20,977	(15,000)	26,311	17,321	(110,148)	604	(66,313)
10,000	21,000	-0-	-0-	111,221	-0-	142,221
(7,000)	-0-	-0-	(17,283)	-0-	-0-	(31,196)
23,977	6,000	26,311	38	1,073	604	44,712
42,759	10,500	-0-	1,178	36,508	63,387	255,656
\$ 66,736	\$ 16,500	\$ 26,311	\$ 1,216	\$ 37,581	\$ 63,991	\$ 300,368
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 37,581	\$ -0-	\$ 37,581
66,736	16,500	26,311	1,216	-0-	-0-	198,796
-0-	-0-	-0-	-0-	-0-	63,991	63,991
\$ 66,736	\$ 16,500	\$ 26,311	\$ 1,216	\$ 37,581	\$ 63,991	\$ 300,368

**CITY OF MANNING
STATEMENT OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2008**

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
<u>Obligation</u>			
General Obligation:			
Street Improvement Bonds	April 15, 1997	4.20 - 5.45%	\$ 650,000
Corporate Purpose Note	December 1, 2003	1.50 - 4.30%	\$ 900,000
Capital Lease - Police Car	April 9, 2008	6.25%	\$ 25,000
Urban Renewal:			
Tax Increment Financing Note	June 1, 2002	5.60%	\$ 150,000
Component Unit Loan:			
Manning Municipal Gas Department: Water Revenue Note	October 22, 2003	Variable	\$ 143,000
Revenue Bonds:			
Road Use Tax	December 1, 2003	1.80 - 4.00%	\$ 56,000
Sewer Revenue Bond	August 23, 2007	3.00%	\$ 200,000
Sewer Revenue Bond	November 17, 2004	3.00%	\$ 800,000
Capital Lease - Loader	November 16, 2007	5.80%	\$ 53,250

SCHEDULE 2

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 275,000	\$ -0-	\$ 50,000	\$ 225,000	\$ 14,703	\$ 1,009
670,000	-0-	75,000	595,000	25,220	1,911
<u>-0-</u>	<u>25,000</u>	<u>-0-</u>	<u>25,000</u>	<u>-0-</u>	<u>355</u>
\$ <u>945,000</u>	\$ <u>25,000</u>	\$ <u>125,000</u>	\$ <u>845,000</u>	\$ <u>39,923</u>	\$ <u>3,275</u>
 \$ <u>113,011</u>	 \$ <u>-0-</u>	 \$ <u>8,704</u>	 \$ <u>104,307</u>	 \$ <u>6,208</u>	 \$ <u>497</u>
 \$ <u>42,358</u>	 \$ <u>-0-</u>	 \$ <u>42,358</u>	 \$ <u>-0-</u>	 \$ <u>1,978</u>	 \$ <u>-0-</u>
 \$ 35,000	 \$ -0-	 \$ 5,000	 \$ 30,000	 \$ 1,303	 \$ 95
-0-	137,221	9,000	128,221	1,097	321
104,223	634,777	32,000	707,000	15,039	1,767
<u>-0-</u>	<u>53,250</u>	<u>-0-</u>	<u>53,250</u>	<u>-0-</u>	<u>1,926</u>
\$ <u>139,223</u>	\$ <u>825,248</u>	\$ <u>46,000</u>	\$ <u>918,471</u>	\$ <u>17,439</u>	\$ <u>4,109</u>

See Accompanying Independent Auditor's Report.

CITY OF MANNING
BOND AND NOTE MATURITIES
JUNE 30, 2008

General Obligation Bonds and Notes

Year Ended June 30,	Street Improvement Bonds		Corporate Purpose Notes	
	Issued April 15, 1997		Issued December 1, 2003	
	Interest Rate	Amount	Interest Rate	Amount
2009	5.30%	\$ 50,000	3.25%	\$ 75,000
2010	5.35%	55,000	3.50%	80,000
2011	5.40%	60,000	3.70%	80,000
2012	5.45%	60,000	3.90%	85,000
2013	--	-0-	4.00%	90,000
2014	--	-0-	4.15%	90,000
2015	--	-0-	4.30%	95,000
Total		\$ <u>225,000</u>		\$ <u>595,000</u>

Year Ended June 30,	Capital Lease - Police Car		Total
	Issued April 9, 2008		
	Interest Rates	Amount	
2009	6.25%	\$ 8,614	\$ 133,614
2010	6.25%	7,945	142,945
2011	6.25%	8,441	148,441
2012	--	-0-	145,000
2013	--	-0-	90,000
2014	--	-0-	90,000
2015	--	-0-	95,000
Total		\$ 25,000	\$ 845,000

Revenue Bonds

Year Ended June 30,	Road Use Tax		Capital Lease - Loader	
	Issued December 1, 2003		Issued November 16, 2007	
	Interest Rate	Amount	Interest Rate	Amount
2009	3.55%	\$ 10,000	5.80%	\$ 10,938
2010	3.80%	10,000	5.80%	13,306
2011	4.00%	10,000	5.80%	14,089
2012	--	-0-	5.80%	14,917
Total		\$ <u>30,000</u>		\$ <u>53,250</u>

Year Ended June 30,	Sewer Revenue Bond		Sewer Revenue Bond		Total
	Issued August 23, 2007		Issued Nov 17, 2007		
	Interest Rate	Amount	Interest Rate	Amount	
2009	3.00%	\$ 9,000	3.00%	\$ 32,000	\$ 61,938
2010	3.00%	9,000	3.00%	33,000	65,306
2011	3.00%	9,000	3.00%	34,000	67,089
2012	3.00%	10,000	3.00%	36,000	60,917
2013	3.00%	10,000	3.00%	37,000	47,000
2014	3.00%	10,000	3.00%	38,000	48,000
2015	3.00%	10,000	3.00%	39,000	49,000
2016	3.00%	11,000	3.00%	40,000	51,000
2017	3.00%	11,000	3.00%	41,000	52,000
2018	3.00%	11,000	3.00%	42,000	53,000
2019	3.00%	12,000	3.00%	44,000	56,000
2020	3.00%	12,000	3.00%	45,000	57,000
2021	3.00%	13,000	3.00%	46,000	59,000
2022	3.00%	13,000	3.00%	48,000	61,000
2023	3.00%	13,000	3.00%	49,000	62,000
2024	3.00%	14,000	3.00%	51,000	65,000
2025	3.00%	14,000	3.00%	52,000	66,000
Total		\$ 191,000		\$ 707,000	\$ 981,250

SCHEDULE 3

Year Ended June 30,	Urban Renewal Manning Betterment Note Issued June 1, 2002	
	Interest Rates	Amount
2009	5.60%	\$ 9,199
2010	5.60%	9,721
2011	5.60%	10,273
2012	5.60%	10,856
2013	5.60%	11,473
2014	5.60%	12,124
2015	5.60%	12,813
2016	5.60%	13,540
2017	5.60%	14,308
Total		\$ <u>104,307</u>

See Accompanying Independent Auditors' Report.

SCHEDULE 4

CITY OF MANNING

**SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS**

FOR THE PAST FOUR YEARS

	<u>2008</u>	<u>2007 *</u>	<u>2006</u>	<u>2005 *</u>
Receipts:				
Property tax	\$ 417,402	\$ 414,068	\$ 403,537	\$ 401,841
Tax Increment Financing	111,201	97,878	96,035	69,928
Other city taxes	171,234	171,436	165,888	164,667
Licenses and permits	4,415	2,958	4,186	4,398
Use of money and property	83,986	35,090	32,741	50,433
Intergovernmental	719,228	375,328	238,890	214,343
Charges for services	113,859	99,019	104,587	80,404
Special assessments	326	3,241	3,826	3,512
Miscellaneous	242,081	138,529	98,352	83,345
Total	\$ <u>1,863,732</u>	\$ <u>1,337,547</u>	\$ <u>1,148,042</u>	\$ <u>1,072,871</u>
Disbursements:				
Public safety	\$ 292,849	\$ 403,390	\$ 202,403	\$ 256,213
Public works	204,635	204,817	174,178	197,365
Culture and recreation	400,138	227,789	235,404	187,271
Economic development	171,452	268,828	147,368	83,693
General government	235,959	272,511	214,451	128,068
Debt service	165,323	220,385	107,909	104,705
Capital projects	1,148,824	-0-	-0-	362,555
Total	\$ <u>2,619,180</u>	\$ <u>1,597,720</u>	\$ <u>1,081,713</u>	\$ <u>1,319,870</u>

* Unaudited

See Accompanying Independent Auditor's Report.

CITY OF MANNING

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008**

Grantor/Program	CFDA Number	Agency Pass-thorough Number	Program Expenditures
Direct:			
U.S. Department of Homeland Security Federal Emergency Management Agency Assistance to Firefighters Grant	97.044	EMW-2007-FO-07728	\$ 57,000
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Region XII Council of Governments:			
Community Development Block Grants/ States Program	14.228	04-WS-058	362,830
HOME Investment Partnership Program	14.239	02-HM-188-65-69	64,304
Environmental Protection Agency:			
Iowa Department of Economic Development:			
Region XII Council of Governments:			
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS192269-01 & -02	174,818
Total			\$ <u>658,952</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Manning and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See Accompanying Independent Auditor's Report.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

MUXFELDT

ASSOCIATES, CPA, P.C.

Certified Public Accountant

January 27, 2009

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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To the Honorable Mayor and
Members of the City Council:

I have audited the accompanying primary government financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Manning, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued my report thereon dated January 27, 2009. My report on the primary government financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since I was unable to satisfy myself concerning beginning fund balances primarily related to the general fund and the loan revolving fund at July 1, 2007. Except as noted in the Independent Auditor's Report, I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Manning's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of the City of Manning's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Manning's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies and other deficiencies I consider to be material weaknesses.

Continued. . .

January 27, 2009

To the Honorable Mayor and
Members of the City Council:
Page Two

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Manning's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Manning's financial statements that is more than inconsequential will not be prevented or detected by the City of Manning's internal control. I consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Manning's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I believe all are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Manning's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings and Questioned Costs.

Continued. . .

January 27, 2009

To the Honorable Mayor and
Members of the City Council:
Page Three

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretation of those statutes.

The City of Manning's responses to findings identified in my audit are described in the accompanying Schedule of Findings and Questioned Costs. While I have expressed my conclusions on the City's responses, I did not audit the City of Manning's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Manning and other parties to whom the City of Manning may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Manning during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

 M. J. Murphy Associates, CPA, P.C.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

MUXFELDT

ASSOCIATES, CPA, P.C.

Certified Public Accountant

January 27, 2009

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Lonnie G. Muxfeldt

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To the Honorable Mayor and
Members of the City Council:

Compliance

I have audited the compliance of the City of Manning with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The City of Manning's major programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Manning's management. My responsibility is to express an opinion on the City of Manning's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Manning's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the City of Manning's compliance with those requirements.

In my opinion, the City of Manning complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Continued . . .

January 27, 2009

To the Honorable Mayor and
Members of the City Council:
Page Two

Internal Control Over Compliance

The management of the City of Manning is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the City of Manning's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the City of Manning's internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, I identified a deficiency in internal control over compliance that I consider to be material weaknesses.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. I consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-B-08 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. I consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-B-08 to be a material weakness.

Continued . . .

January 27, 2009

To the Honorable Mayor and
Members of the City Council:
Page Three

The City of Manning's responses to findings identified in my audit are described in the accompanying Schedule of Findings and Questioned Costs. While I have expressed my conclusions on the City's responses, I did not audit the City of Manning's responses and, accordingly, I express no opinion on them.

This report is intended solely for the information and use of management, the City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties

Musplot Associates, CPA, P.C.

CITY OF MANNING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

PART I: SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS

- a. Qualified opinions were issued on the financial statements, which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- b. Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- c. The audit did not disclose any non-compliance which is material to the financial statements.
- d. A significant deficiency and material weakness in internal control over major programs were disclosed in the audit of the financial statements.
- e. An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- f. The audit disclosed findings which are required to be reported in accordance with Office Management and Budget Circular A-133, Section .510(a).
- g. The major program was CFDA Number 14.228 - Community Development Block Grants/State's Program.
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i. The City of Manning did not qualify as a low-risk auditee.

CITY OF MANNING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS

SIGNIFICANT DEFICIENCIES:

II-A-08 Segregation of Duties

Comment - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. All bookkeeping and financial reporting functions are performed by the same individual.

Recommendation - I realize that with only one full-time clerk a segregation of duties among employees is impossible. The City should review its control procedures to obtain the maximum internal control possible under the circumstances. For example, some Cities appoint an independent treasurer to prepare treasurer's reports every month. In other cases, the City Administrator reviews and initials approval on monthly checking reconciliations, monthly financial statements reports, and external reports such as the certification and adoption of City budget and the annual financial report.

Response - We will consider alternative procedures to provide oversight and monitoring of financial reporting process utilizing existing personnel.

Conclusion - Response accepted.

II-B-08 Financial Reporting - Annual Financial Report

Comment - It was noted that the annual financial report filed with the State Auditor's Office contained numerous errors such as the budget figures not agreeing with the final adopted budget, such as the special revenue receipts and disbursements intermingled with general fund receipts and disbursements, such as the wastewater capital project both budgeted and reported among the proprietary funds, and such as a \$77,350 material understatement of the City's debt obligations. The annual financial report has been corrected.

Recommendation - A simple schematic of the City's funds has been provided to the clerk for future reference. The revised annual financial report should be republished or at least posted then re-filed with the State Auditor's Office.

Response - The revised annual financial report will be republished and re-filed with the State Auditor's Office.

Conclusion - Response accepted.

CITY OF MANNING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

II-C-08 Beginning Fund Balances

Comment - It was noted that beginning of the year fund balances were understated by \$8,533 and affected the general fund and the revolving loan fund. I was unable to satisfy myself concerning beginning fund balances and have qualified my opinion on them. Most discrepancies noted between the old software reporting and the new software reporting were related to the former clerk. Procedures pertaining to end of the year fund balances were satisfactory.

Recommendation - The City's financial statement report should be reconciled monthly and probably initialed and approved by the City Administrator.

Response - We will continue to reconcile the financial statement report monthly and incorporate the City Administrator's monitoring and oversight.

Conclusion - Response accepted.

II-D-08 Budget Amendments

Comment - During the year ended June 30, 2008, the budget was amended three times. The first and second budget amendments both amended the original budget. The final budget amendment was not what was intended and inadvertently understated budgeted revenues and disbursements by \$656,554. In addition, the budget figures presented in the annual financial report as originally filed with the State Auditor's Office were the intended budget figures and not the final budget published or approved by City Council.

Recommendation - Though it is unlikely that this will occur again in the future, it would enhance reliability and ameliorate the credibility of the City's financial reporting process if the City Administrator simply reviewed the budget amendments and compared the figures to the certified or last amended budget before the proposed budget was published and approved by Council. In addition, the budget figures presented in the annual financial report as filed with the State Auditor's Office must be the final budget as approved by City Council and not the budget that was intended to be approved by City Council.

Response - This is a simple procedure that will save time and effort in the future.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF MANNING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

PART III FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

INSTANCES OF NON-COMPLIANCE

No matters were noted.

SIGNIFICANT DEFICIENCIES

III-A-08 Lack of Identification of Federal Funds

Comment - It was noted that there was no attempt made to identify federal funds and evaluate whether a Single Audit of those federal funds was required.

Recommendation - A general rule of thumb is to aggregate the notification of federal funds received from pass-through agencies, add the amounts reported and if the sum is greater than \$500,000, then a Single Audit is required. Another rule of thumb is that if funds come from the Iowa Department of Economic Development or pass through or are administered by the Region XII Council of Governments, then the funds are probably federal in origin.

Response - No consideration was given to identifying and evaluating whether a Single Audit was required or not. Procedures recommended above will aid in identifying and evaluating whether a Single Audit is required in the future.

Conclusion - Response accepted.

PART IV OTHER FINDINGS RELATED TO STATUTORY REPORTING

IV-A-08 Certified Budget - Disbursements during the year ended June 30, 2008, exceeded the amounts budgeted in the public works, culture and recreation, and capital projects functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - As discussed at II-D-08, actual disbursements would not have exceeded amounts budgeted (except in the capital projects function) had the budget been correctly amended to begin with. I also recommend that any future capital projects be budgeted under governmental funds and not under proprietary funds.

Response - The City will implement your recommendations.

Conclusion - Response accepted.

CITY OF MANNING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

- IV-B-08 Questionable Disbursements - I noted no disbursements for parties, banquets or other entertainment for employees that I believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-08 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- IV-D-08 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jerry Rasmussen, Economic Development Agency, Owner of Rasmussen Lumber	Supplies	\$ 4,497
Robert Ehlers and Lynn Stein, Economic Development Agency, Owners of Manning Motors	Repairs, service, police car per bid	\$ 60,316
Robert Ehlers and Lynn Stein, Economic Development Agency, Owners of NAPA	Parts and supplies	\$ 3,170
Craig Hacker, Planning & Zoning, Owner of Independent Repair	Parts, repairs, supplies	\$ 973
Janet McLaughlin, Councilor, Wife of Owner of McLaughlin Construction	Construction, per bid	\$ 13,160
Ron Colling, Mayor, Owner of Manning Monitor	City publications	\$ 1,632

In accordance with Chapter 362.5(10) of the code of Iowa, the transactions with the husband of a councilor and the economic development agency members do not appear to represent a conflict of interest since they were entered into through competitive bidding in accordance with Chapter 362.5(4) of the Code of Iowa. All other transactions do not appear to represent a conflict of interest since they are cumulative throughout the fiscal year.

- IV-E-08 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

CITY OF MANNING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

PART IV: OTHER FINDINGS RELATED TO STATUTORY REPORTING (Continued)

IV-F-08 Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not. It was noted, however, that a summary of receipts by fund was not published from January through June 2008.

Recommendation - The City should publish the summary of receipts by fund every month.

Response - The summary of receipts by fund was dropped without regard to publishing requirements. They will be published along with disbursements by fund in the future.

Conclusion - Response accepted.

IV-G-08 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the city's investment policy were noted.

IV-H-08 Revenue Bonds and Notes - The City has complied with the revenue bond and note resolutions.

IV-I-08 Payments of General Obligation Interest - Certain general obligation interest was paid from the urban renewal tax increment financing fund. Chapter 384.4 of the Code of Iowa states, in part "Monies pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the debt service fund."

Recommendation - The City should transfer from the urban renewal tax increment financing fund to the debt service fund. Payment of the principal and interest should then be disbursed from the debt service fund.

Response - We have already implemented this practice and will transfer funds in the future as recommended.

Conclusion - Response accepted.

IV-J-08 Financial Condition - At June 30, 2008, the wastewater capital projects fund had a deficit balance of \$12,545.

Recommendation - The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response - The wastewater capital project deficit will be eliminated after completion of the project in the fall of 2008.

Conclusion - Response accepted.

CITY OF MANNING
MANNING, IOWA 51455

NEWS RELEASE

Muxfeldt Associates, CPA-P.C., 2309 B Chatburn Avenue, Harlan, Iowa, today released an audit report on the City of Manning, Iowa.

The City's receipts totaled \$3,168,954 for the year ended June 30, 2008. The receipts included \$417,402 in property tax, \$111,201 from tax increment financing, \$629,689 from charges for services, \$276,118 from operating grants, contributions and restricted interest, \$714,736 from capital grants, contributions and restricted interest, \$171,234 for local option sales tax, \$26,189 from unrestricted interest on investments, \$794,998 from loan proceeds, and \$27,387 from miscellaneous receipts.

Disbursements for the year totaled \$3,133,352 and included \$1,148,824 for capital projects, \$400,138 for culture and recreation, and \$292,849 for public safety. Also, disbursements for business type activities totaled \$514,172.

The significant increase in receipts and disbursements is due primarily to the financing and construction of the Wastewater Plant Improvement Project.

A copy of the audit report is available for review in the City Clerk's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

